

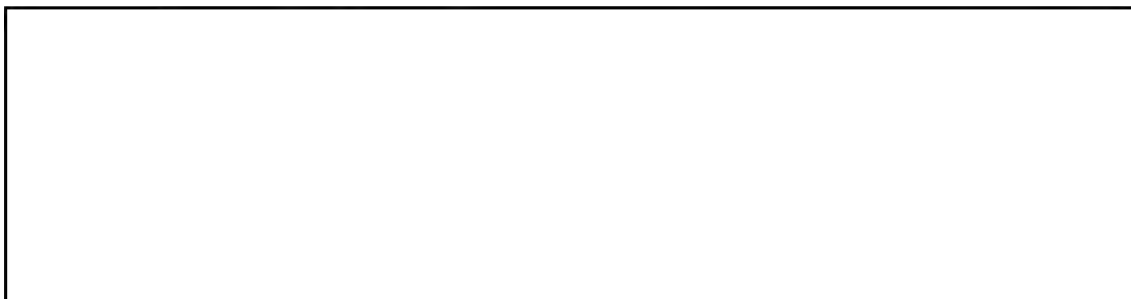
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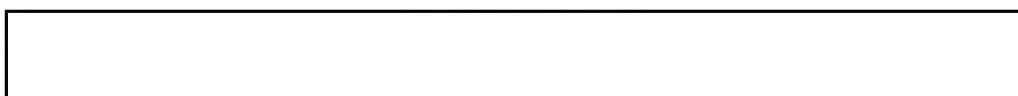
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SECRET



CONTENTS



Social Democrats Win Crucial Union Elections in Finland	2
Norwegian Communists Turn Down Merger Plan . .	4
Dublin Government's Majority Narrows	5
Italy Reacts to Trade Investigations	7
The Politics of Arms Standardization in NATO .	8
EC-Canadian Negotiations Likely to Open Next Month	11

November 6, 1975

SECRET

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Approved For Release 2004/08/17 : CIA-RDP79T00865A002100130001-5

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Social Democrats Win Crucial Union Elections
in Finland

The victory of the Social Democratic incumbents in Finland's crucial Metalworkers' Union election this week improves prospects for the formation of a new majority coalition government.

The Social Democrats' victory in the unusually bitter and scandal-ridden union contest was narrow. They captured 259 of the 506 delegate seats for the union's quadrennial congress next month. The Communists won 240 seats, while the Center Party faction won 7.

The parliamentary election in September failed to provide a clear mandate for dealing with Finland's mounting economic problems. Few leaders in the badly fragmented political arena were willing to commit themselves to a new coalition government until the fate of the Communist challenge to take over the Metalworkers' Union was decided.

With inflation running at an annual rate of 18 percent and a trade deficit of some \$2 billion expected this year, political leaders are convinced that a solid majority coalition is necessary if strong economic measures are to be enacted. A Communist victory in the bellwether union contest would have increased the likelihood of active union opposition to these measures.

Formation of a new government is still some way off. Former prime minister and provincial governor Miettunen last week began sounding out several center-left parties. There is no evidence yet, however, that

November 6, 1975

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the basis for a government program has been reached,
or that conflicting Social Democratic and Center Party
demands for the prime ministership have been resolved.



November 6, 1975

SECRET

25X1A

Norwegian Communists Turn Down Merger Plan

At their congress last weekend, the Norwegian Communists decided not to merge with three other leftist parties into the Socialist Left Party.

The Communist Party congress named Vice Chairman Martin Gunnar Knutsen to replace Reidar Larsen as party chairman. Larsen was a strong advocate of the planned merger and issued an open declaration at the congress opposing the party decision. He and 29 others announced plans to continue to work actively for a merger with the Socialist Left Party.

The merger has been a divisive issue among the Communists since the Socialist Left Party's "unity congress" last April. At that time, the alliance's four component parties--the Communists, Socialist Peoples Party, Democratic Socialists, and Independent Socialists set a timetable for the eventual union, but put off important ideological differences. The Communists were the main holdouts.

Although the Communists have said they will continue to cooperate as an independent party, their decision all but dooms the Socialist Left Party. Without the Communists, the leftist alliance does not have enough strength to threaten Prime Minister Bratteli's Labor Party.

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SECRET

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Dublin Government's Majority Narrows

Ireland's Fine Gael/Labor coalition may have its majority cut to the bone as the result of an automobile accident involving one of its deputies and the possible loss of a seat in a by-election later this month.

Thomas Dunne, the Fine Gael representative from North Tipperary, was seriously injured earlier this week and is on the critical list. Even if he survives, Dunne will be unable to attend the Dail for some time. The Fine Gael also may lose a seat in the West Mayo by-election on November 12. A loss in West Mayo would reduce the coalition to 50 percent on the floor of the Dail. Consequently, this contest has become the focus of considerable attention by both the government parties and the opposition.

If the Fine Gael candidate loses in West Mayo, Prime Minister Cosgrave might be persuaded to call an early general election. Although Cosgrave's party is relatively popular despite the worsening economic situation, its partner--the Labor Party--is steadily losing voter appeal. Cosgrave might feel that, rather than be picked apart slowly, the coalition should make a bid now to increase its majority. Furthermore, the resurgence of the right wing of the opposition Fianna Fail recently prompted chairman Jack Lynch to call for the withdrawal of British forces in Ulster. The move reportedly was not received well in Dublin and as a result Cosgrave may feel that his party is in a good position to take votes away from the opposition.

Even if the by-election in West Mayo goes against the government, it will be able to garner a one-vote majority on tie votes when the Dail chairman--currently

November 6, 1975

SECRET

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a coalition representative--casts the tie breaker. Furthermore, the opposition must count on the votes of two independent representatives who usually support the Fianna Fail. These two representatives, however, reportedly intend to abstain on close votes which might persuade Cosgrave to call early elections because neither representative wants the expense of a campaign now.

The Irish have become accustomed to governments with razor-thin majorities and at least one government ruled for several years without a majority. Nevertheless, the odds are 50-50 in Dublin that Cosgrave will call an early election. [REDACTED]

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November 6, 1975

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SECRET

25X1A

Italy Reacts to Trade Investigations

US investigations of possible subsidies to certain exporters of glass are touching sensitive Italian nerves. Concerned that its long-standing program of aid to southern Italy is being challenged, Rome also is wary of adverse political reactions--exploitable especially by the Communist Party--if the US were eventually to impose countervailing duties.

The Italian government has had little success persuading the float-glass producers to cooperate by providing information needed by the US to determine whether government aid to manufacturers constitutes an unfair trade subsidy. A positive finding could permit countervailing duties to be imposed.

Rome is endeavoring to furnish detailed information, but it is clear that the government feels its entire development plan for the Mezzogiorno (southern Italy), already the object of domestic political criticism for producing insufficient results, is being questioned. This regional program, begun in 1951 and designed to aid areas that continue to lag behind the rest of Italy, is strongly supported by the EC.

Unemployment in southern Italy is a growing political problem for Rome. The US embassy believes that action against any industries in the Mezzogiorno would trigger immediate outcries which the Communists would be the first to try to exploit.

Italian or EC retaliation is also a possibility. An Italian trade official has said that Italy is compiling an inventory of all US "regional aid" programs, presumably to use in case the EC decides to act against US firms that have received federal, state, or local US grants.

25X1

November 6, 1975

SECRET

SECRET

25X1A

The Politics of Arms Standardization in NATO

The well-publicized effort to shore up NATO's conventional war capability by ensuring the compatibility of allied arms and military equipment may have been advanced this week by NATO's Eurogroup, the informal caucus of most European NATO members. Final agreement still has not been achieved, however, on the composition and authority of a group assigned to guide the effort. Underlying this disagreement is the fear of many Europeans that the NATO initiative threatens to reduce Europe to a state of total dependence on the US. A North Atlantic Council debate on arms standardization is scheduled for next week.

The effort to standardize conventional armaments and equipment in NATO is as old as the Alliance itself, but has drawn new life recently from a unique conjunction of political, strategic, and economic conditions. The onset of strategic parity and the modernization and improvement of Warsaw Pact capabilities in Europe have highlighted the need to strengthen NATO's ability to resist a conventional attack. Present economic difficulties in the West, coupled with the rising cost of military hardware, have also made the idea more attractive. Finally, precarious conditions on NATO's southern flank, have underscored the need to shore up the Alliance.

These unusual conditions led the US to sponsor a proposal in NATO that not only endorses joint arms procurement under common specifications but foresees eventual trans-Atlantic competition between the US

November 6, 1975

SECRET

and a fully developed European arms industry. Development of this European industry is expected to be indirectly fostered by provisions of the Nunn Amendment which allow US purchases of arms and equipment from abroad. The European reaction has been understandably enthusiastic, because the proposal has suggested a US desire to reduce its domination of the trans-Atlantic arms trade and thereby provide the necessary incentive for enhanced European economic and political cooperation.

There is nevertheless still considerable uncertainty about how the US will interpret its mandate to buy abroad. The Europeans are worried by repeated US demands that European produced equipment meet strict standards of quality and economy--which may not be attainable at this time.

Britain and France rely heavily on arms exports to improve their balance of payments and maintain employment. They insist that realistic arms purchase requirements must recognize this, and that the cost-efficiency emphasis be qualified accordingly. The French also argue that US superiority in high-technology areas means that under strict standards of competition, Europe would gradually be reduced to the role of "sub-contractor" and left to produce only low-level conventional armaments. This prospect of reduction to a state of technological dependence on the US is of great concern to Europeans already fearful that the American policy of detente will lead eventually to their political subordination to Washington.

These arguments have special significance since they are being made by the French. France has not participated in the military side of the Alliance since 1966, but winning its cooperation is important to the development of an improved conventional posture in Europe. Britain and West Germany are especially anxious to draw France into the discussions to strengthen the case for increased arms purchases by the US. Participation by the sizable French armaments industry is important for the success of any standardization program.

November 6, 1975

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France agreed to participate in the NATO arms discussions in a meeting in September. In a recent conversation with his German counterpart, Georg Leber, French Defense Minister Bourges indicated France's willingness to expand military cooperation with the Alliance. Consistent with France's desire to maintain national discretion over the commitment of French forces, however, French spokesmen are nevertheless still insisting that discussions of arms standardization in NATO take place in a forum that defers heavily to national interests. France is also refusing to participate in Eurogroup discussions because that body is closely tied to NATO.

A decision announced on November 5 by the Eurogroup suggests that matters may be moving to a head. The group, which has been working on a common position since May, announced plans to establish bodies to work out the details of the European arrangements and the principles for a trans-Atlantic dialogue. France has been invited to join, with the understanding that the members would be ready to discuss organizing the effort in a manner that would be politically acceptable to France. Both the British--who chair the Eurogroup--and the Germans seem willing to meet with France outside the Eurogroup forum provided Paris commits itself first to address arms standardization in a serious way. At the same time, the Eurogroup position appears to reflect their equally strong conviction that the best way to bring the French along is to appear ready to leave them behind.

The Council session next week is designed to produce something concrete that can be reported at the NATO ministerials in early December. France will clearly have to make its decision soon.

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November 6, 1975

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EC-Canadian Negotiations Likely to Open
Next Month

Negotiations between the EC and Canada on a non-preferential commercial and economic cooperation agreement will probably begin before the end of the year. When concluded, it would be the EC's first such agreement with an industrial nation. It could also be offered as a model for arrangements with states such as Iran that are seeking "special" or preferential ties to the EC.

A go-ahead to the EC Commission may come out of this week's Foreign Minister Council but, if not, it will probably be announced at the December 1-2 meeting of the Community heads of government. The negotiations with Canada are not expected to be drawn-out, given the wide-ranging informal discussions that have already taken place.

Prime Minister Trudeau sought what he termed a "contractual link" with the EC during his European tour last March. Progress has been stalled, however, as a result of British and French reservations over concluding an agreement that might give the EC as such exclusive jurisdiction over economic cooperation. The eventual agreement will now specify that it does not impinge on bilateral economic cooperation activity.

The Commission already has in hand a draft agreement. According to earlier reports, the trade aspects would simply reiterate the most-favored-nation commitments already covered in existing GATT regulations. The economic and industrial cooperation rubrics would provide for joint ventures and exchanges of commercial and technological information. These matters are primarily the concern of private

November 6, 1975

SECRET

SECRET

business and the governments' role would be designed to expand the already established semi-annual EC-Canada consultations.

Ottawa's goal in seeking a formal link with the EC--its second largest trading partner--is mainly political. Trudeau hopes it will be seen in Canada as a major foreign policy initiative which lessens Canada's traditional dependence on the US. The Nine, who also hope to increase their exports, are mainly interested in ensuring long-term access to Canadian raw materials, especially lumber, uranium and non-ferrous metals.

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November 6, 1975

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